

What the Trouble Is About

Can Brazil Hold Out Until the Next Election?

"God is a Brazilian," they often say in the big coastal city of Rio de Janeiro, and a visitor often suspects they mean it. But events of recent weeks may have shaken that assumption.

Inflation has reached an incredible level (see accompanying box); left-leaning President Joao Goulart has called for a state of siege—and then rescinded the call 72 hours later when neither the left

Mr. Thompson recently returned from a year's trip to Latin America, where he was based in Rio de Janeiro. He is a frequent contributor to The National Observer.

nor right would agree to it; and politicians have been openly speculating about a military coup. The president, long thought to be a master politician, has found his support disappearing like flies in the first winter freeze.

All of this is vitally important to the United States. Brazil is no small-time pawn like Honduras or the Dominican Republic, but the very real anchor of South America. In theory, at least, Brazil is that continent's best hope for progress and democracy. Whatever happens in Brazil will be crucial for the stability of the hemisphere.

Where the Smart Money Is

What will happen, in all likelihood, is that Mr. Goulart will limp through the end of his term in 1965, and then be a clumsy albatross on the neck of any candidate his own (Labor) party puts up to succeed him. This, curiously enough, might bode well for the country. There are other possibilities, of course—a coup among them—but the smart money is on the president's survival.

How did things get to this pass, and what are the post-Goulart alternatives in



Mr. Goulart: Surrounded by trouble.

South America's biggest nation? For the answers, one needs to look first at Mr. Goulart himself, then at some of the men who might succeed him.

Mr. Goulart is a weak and hapless president, a small-time politician who rode the greased rails of circumstance to the country's highest political office. He learned

his politics under two dictators—Juan Peron of Argentina and Getulio Vargas of Brazil—and got into politics because he was Vargas' neighbor in the wealthy state of Rio Grande do Sul, next-door to Argentina. Vargas made him labor minister, a post he used to curry favor with Brazil's militant unions, and later Mr. Goulart ran successfully for the vice presidency under President Juscelino Kubitschek (1955-60).

Opposed him, but when his brother-in-law, Leonel Brizola—then governor of Rio Grande do Sul—rallied the Third Army in Goulart's support, he returned and took office without incident.

Since then, both his career and the fortunes of Brazil have been hectic and downhill. He has talked a good line at times, presenting himself as a much-harassed champion of the downtrodden common man, but accomplished just about nothing.

In the two years since he took over, the bottom has dropped out of the Brazilian economy. True, the cry of the Kubitschek administration was "Fifty years of progress in five," and one of the results of this hell-for-leather pace was that

Brazil went deep in the red. Mr. Goulart would have been a hero if he had done nothing, more than stabilize the economy—but instead he has put the nation well on the road to debtors' prison.

The country is so politically unstable and economically out of control that it is high on the blacklist of the International Monetary Fund, the World Bank, and most private foreign capital. It's gold reserves are down to zero, its currency is nearly worthless, and there is a general cry for the president's scalp.

Why Prospects Are Bright

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in 1965 to middle-of-the-road and conservative parties and candidates.

The left will be hard-pressed even to come up with a serious presidential nominee. One possibility is Mr. Brizola's man, Miguel Arraes de Alencar, the arch-leftist governor of Pernambuco in Brazil's Northeast—known in some circles as "Castro country." The other is Mr. Brizola himself, who is now a congressman from Rio de Janeiro. Yet despite his oratorical zeal and proven ability to sway the urban peasantry, Mr. Brizola would be fatally disarmed by his association with the failed policies of his kinsman, President Goulart—and so would Mr. Arraes.

What has happened under Mr. Goulart is that the extreme left has almost shot its wad. The results have been stagnation, chaos, savage political bickering, the collapse of the economy, and no progress at all. About the best the left can hope for now is a coup by the right, which would give it a platform of protest that it sorely lacks in view of Mr. Goulart's wretched performance.

The Formidable Names

Arrayed against the left will be some of the most formidable political names in Brazil: Former president Kubitschek, Guanabara state governor Carlos Lacerda, and Sao Paulo's governor Adhemar de Barros. All three are aggressively anti-Communist, and are hardened veterans in



Mr. Lacerda



Mr. de Barros

Brazil's rough-and-tumble politics. At the moment, Mr. Kubitschek rates an edge; he is identified with "the good old days" when Brazil was on the move.

With "JK" in the saddle again, the nation's morale would be boosted 100 per cent—though whether he could pull Brazil out of its spin is another question. Many educated Brazilians consider him a con man and a crook, who profited vastly from the building of the new interior capital, Brasilia. To the man in the street, however, Mr. Kubitschek is a miracle-worker, a creator of jobs and money.

Adhemar de Barros is a colorful conservative who once called land reform "communistic." He is a sort of Brazilian Happy Chandler, whose popularity defies analysis. Perhaps his secret is an instinctive knowledge that Brazilians want a father figure who talks tough while letting them do as they please. Whatever the reason, he could make a strong race for the presidency. Most people, including Mr. Kubitschek, consider him JK's most dangerous rival.

A Rarity in Latin America

Perhaps the best of the lot is Guanabara's governor Carlos Lacerda, whose anti-Communist zeal is matched only by his friendship for the United States. He is a rarity in Latin America: A scrupulously honest public official, a hard worker, and a mean brawler when it comes to political infighting. But despite all he has done for Rio de Janeiro since his election in 1960, he remains strangely unpopular with "the people." Maria, a maid, says Mr. Lacerda is a "phony." Julie, a waiter, claims the governor has been "bought" by the gringos. It may be that Mr. Lacerda is too energetic, too merciless with his enemies—in a phrase, "not Brazilian enough"—to generate mass appeal in a nation of easygoing samba-lovers.

If the bankers from the International Monetary Fund could choose Brazil's next president, his name probably would be Carlos Carvalho Pinto, current finance minister and ex-governor of Sao Paulo.

Another honest, hard-working official, Mr. Carvalho Pinto is considered one of the country's foremost political economists—but he is a quiet, colorless campaigner, and that makes him a hopeless underdog in Brazil or any other Latin country.

Another dark horse is Minas Gerais state governor Magalhães Pinto, who has a ready-made springboard in a rich and powerful state, which has been a traditional breeding ground for Brazilian presidents. He also has the support of Janio Quadros, although that is a dubious asset these days.

This, then, is the tentative roster of Brazilian presidential candidates for 1965. Almost any man among them would be a vast improvement over Mr. Goulart; the current front-runner also would represent a tremendous setback to the Brazilian left. The only question now is whether Brazil can survive another two years of deterioration under Mr. Goulart. Mr. Lacerda says "no," but there are cooler heads than his in positions of power, and there is also the considerable financial leverage that Washington can exert to head off a coup.

The next few months will be crucial, and the stakes will be as high as they have ever been in Latin America.

—HUNTER S. THOMPSON

A City Park's Lodger

Pays Rent, Gets Receipt

Charles Murray, 72, persuaded the Los Angeles Recreation and Parks Department to accept payment of \$100 for his lodging.

Mr. Murray figured that was what he owed the city for the many nights he had spent in Elysian Park. But he wanted to be able to prove he paid his rent. He asked for, and got, a receipt.

Sliding Cruzeiro
Why Inflation Strikes in Brazil

The value of Brazil's monetary unit, the cruzeiro, has dropped sharply in recent weeks to a record low exchange rate of 1,250 cruzeiros to \$1. Here, in question and answer form, is an explanation of what's behind the decline, and how it has affected Brazil's economy.

Q. How long has the decline been going on?

A. Since the cruzeiro was established in 1946 at a value of one cruzeiro to about five American cents. By 1953 a cruzeiro was worth less than two cents. A year ago it took six cruzeiros to equal a penny; now it takes a dozen cruzeiros to exchange for a penny.

Q. What has caused this inflation?

A. The Brazilian government periodically prints new paper money to pay off its accumulated debts. These new cruzeiros lessen demand for each cruzeiro previously in circulation, cutting the purchasing power and value of all cruzeiros. There were 508 billion cruzeiros in circulation on Jan. 1, 1963. Since then Brazil has printed an additional 210 billion cruzeiros for circulation.

Q. What causes the debts of Brazil's governments?

A. Many things. A drop in the price of Brazil's main export, coffee, has reduced the government's revenues. Development projects and construction of the new capital city of Brasilia were costly. Currently the main factor is losses by the state-run railroad. By mid-September Brazil had accumulated a budget deficit for this year of close to 210 billion cruzeiros; nearly 200 billion of this resulted from losses on the railroad, which serves many uneconomical routes and has thousands of unemployed employees. The railroad takes in only enough receipts to cover a third of its costs.

Q. Can inflation in Brazil ever be halted?

A. Certainly, any inflation can be stopped. But the cure for Brazil

is likely to be politically dangerous. To stem future inflation, Brazil must end its budget deficits. The resulting cut in government spending, however, might be too unpopular to permit the cuts to remain in effect. In the meantime, Brazil keeps its printing presses hard at work.

Q. How has inflation affected Brazil's economy?

A. Prices go higher and higher. Living costs in Brazil rose 52 per cent last year, and may rise as much as 70 per cent this year. Wage increases have generally lagged behind price rises, with the result that Brazilians continually see the spending power of their income declining.

Q. How has inflation affected investments in Brazil?

A. "One of the most serious effects of inflation is to divert the community's savings from home development into foreign investment," comments a recent report of the International Monetary Fund. When investments are made in Brazil now, they generally are speculations in land and apartment or office buildings.

Q. Has Brazil done anything to halt the inflationary spiral?

A. It is slowly improving the efficiency of its tax collections to increase revenues and trim the budget deficit. The government earlier this year pledged to hold down to 40 per cent a wage increase for civil servants and military personnel. Political pressures, however, forced the government to grant a 70 per cent pay increase in August, adding a further burden to the government's deficit.

Q. What are Brazil's prospects for reducing the inflation rate this year?

A. Not very good. The government hopes to keep its deficit this year to 300 billion cruzeiros. But nearly half of Brazil's annual deficit usually occurs in the final three months of each year, and the government was nearly 210 billion cruzeiros in the red a month ago.



Mr. Carvalho